No. 15-446

IN THE

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE
Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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STATEMENT OF INTEREST

The American Intellectual Property Law Association (AIPLA) is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private or corporate practice, in government service, and in the academic community.[1] AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.[2]

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[1] In accordance with Supreme Court Rule 37.6, amicus curiae states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the amicus curiae and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[2] AIPLA obtained consent to file this brief from the counsel of record for all parties, pursuant to Supreme Court Rule 37.3(a).

SUMMARY OF ARGUMENT

The Federal Circuit erred in endorsing use by the Patent Trial and Appeal Board ("Board" or "PTAB") of the broadest reasonable interpretation ("BRI") standard, prescribed by 37 C.F.R. § 42.100(b), for interpreting unexpired patent claims in post-grant trial proceedings created by America Invents Act ("AIA").

The BRI standard was specially crafted for patent examinational proceedings, and not for proceedings that adjudicate the validity of patent claims. Congress intended that post-grant trials would be a cost-effective and efficient substitute for district court validity trials. Accordingly, these substitute proceedings should use the same claim construction standard as used in district courts. But by the mistaken transplantation of the BRI standard into AIA trials, the entire patent system has been harmed through an evisceration of the statutory presumption established by 35 U.S.C. § 282(a) that issued patents are valid, by the disregard of long-standing precedent that patent claims must have the same construction for validity and infringement, and by the creation of conflicts, inconsistency and confusion, resulting from applying different claim construction standards.

The Federal Circuit also erred in barring judicial review of issues in a final written PTAB decision that concern the authority of the PTAB to invalidate a patent simply because those issues were also addressed in a decision to institute a trial proceeding.

The Petitioner has filed a blanket consent with the Court, and the government has consented by letter, filed with this brief.

Due process demands that in an appeal of right from a final written decision under 35 U.S.C. §§ 318 and 328, issues related to the Director's decision to institute an AIA trial and to the PTAB's authority to decide whether claims are unpatentable must be reviewable by the Federal Circuit. The bar on appellate review in 35 U.S.C. § 314(d) must be interpreted in light of the presumption of judicial reviewability of actions of the executive branch. Moreover, the bar of section 314(d) is expressly limited to review of the Director's determination "under this section"; namely, whether or not the petitioner has met the threshold of demonstrating a reasonable likelihood of prevailing. Review of a final written decision under section 318 is a determination on the merits, not a likelihood of success determination under section 314(a).

ARGUMENT

I. The Federal Circuit erred by approving the use of the BRI standard in AIA trials.

The Federal Circuit erred by approving the use by the Board of the "broadest reasonable interpretation" standard for interpreting unexpired patent claims challenged in AIA trial proceedings before the U.S. Patent and Trademark Office ("Office").

Both the Office (in implementing that standard in 37 C.F.R. § 42.100(b)) and the Federal Circuit (in approving it) disregarded the distinction between the traditional role of BRI in the examination of patent applications and the role of claim interpretation in the new post-grant trial proceedings created by the

AIA. Patent claims challenged in AIA post-grant trial proceedings should be interpreted under the same standard used in district court actions; namely, the *Phillips/Markman* standard.[3]

The Federal Circuit deferred to the Office interpretation of the AIA in adopting the BRI standard, incorrectly applying *Chevron USA Inc. v. Natural Resource Defense Council, Inc.*, 467 U.S. 837 (1984). The Federal Circuit addressed the first step of the *Chevron* analysis ("whether Congress has directly spoken to the precise question at issue"[4]) by noting that the statute does not prescribe a particular standard for claim construction. However, the court overlooked *Chevron*'s explanation of the phrase quoted above: "If the *intent of Congress* is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the *unambiguously expressed intent of Congress*." (Emphasis added.) Despite the clear and unambiguous Congressional intent that AIA trials were to be adjudicatory, the court found the regulation a "reasonable interpretation of the statute," notwithstanding the fact that district court adjudications on patent validity are bound to apply the *Phillips/Markman* standard of claim construction. The post-grant trial proceedings created by the AIA were expressly intended to serve as faster, less expensive surrogates for district court patent validity trials. Only the *Phillips/Markman*

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[3] *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-1313 (Fed. Cir. 2005) (*en banc*), and *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed.Cir.1995) (*en banc*), *aff'd* 517 U.S. 370 (1996).

[4] *Chevron*, 467 U.S. at 842-843.

standard is applied in district court trials, and there is no hint that Congress intended any other standard to apply in post-grant trials.

a. The BRI standard was specially crafted for patent examinational proceedings.

The BRI standard is intended and appropriate for the patent examination process. That process, commonly referred to as "prosecution," consists of a series of exchanges between the applicant and the patent examiner to clarify the metes and bounds of the claimed invention. Importantly, it includes the opportunity to freely amend claims to remove ambiguities and to fashion clear, precise, and patentable claims.[5] The initial examination proceeds with back-and-forth communications between the applicant and the examiner during which the language of the claims may be amended in view of the prior art pertaining to the invention in order to arrive at clear and precise claims.[6]

The BRI standard was subsequently extended to patent reexamination under 35 U.S.C. § 305, which explicitly states that reexamination is "conducted

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[5] *In re Prater*, 415 F.2d 1393, 1404-1405 (C.C.P.A. 1969) ("[T]his court has consistently taken the tack that claims yet unpatented are to be given the broadest reasonable interpretation consistent with the specification *during the examination of a patent application* since the applicant may then amend his claims....")(emphasis in original). *See also In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989).

[6] *See PPC Broadband, Inc. v. Corning Optical Comm. RF, LLC*, No. 2015-1361, slip op. at 6-7 (Fed. Cir. Feb. 22, 2016).

according to the procedures established for initial examination under the provisions of sections 132 and 133." Accordingly, *In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984), recognized the usefulness of BRI in an *ex parte* reexamination proceeding, while cautioning that it cannot apply to expired claims which cannot be modified. *In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014). Thus, the BRI standard is properly used in examination and reexamination proceedings for claims in patents that have not expired.[7] Likewise, the use of BRI has been extended to other examinational proceedings, including reissue proceedings.[8]

But claim construction by district courts has long been distinguished from claim construction in patent examinational proceedings because the claim language of an issued patent is fixed and not subject to amendment. For example, in *In re Morris*, 127 F.3d 1048, 1053-1054 (Fed. Cir. 1997), the Federal Circuit refused to require the Office to interpret claims in patent applications in the same manner that courts interpret issued claims during infringement proceedings.[9]

Under the *Phillips/Markman* standard, a district court considering claims of issued patents must

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[7] *Id.* at *7 ("Examinations and reexaminations are not adjudicatory. Instead, the patent examiner and the applicant work together to determine the scope of the claimed invention.").

[8] *In re Reuter*, 651 F.2d 751, 756 (C.C.P.A. 1981).

[9] *In re Morris*, 127 F.3d at 1054 ("It would be inconsistent with the role assigned to the PTO in issuing a patent to require it to interpret claims in the same manner as judges who, post-issuance, operate under the assumption the patent is valid.").

account for statements made by the patent applicant during prosecution of the patent application. The Office, by contrast, applies the BRI standard in an examinational context in which the prosecution is not completed. The written record, or "history," of that prosecution will ultimately be comprised of the examiner's continuing transactions with the applicant. While BRI is applied to issued patents in reexamination and reissue proceedings, those remain examinational proceedings and are not adjudications of patent validity. Moreover, in those proceedings, unexpired claims may be freely amended. By contrast, the BRI standard is not appropriate in AIA trial proceedings.

b. By adopting the AIA, Congress intended the Office to adjudicate the validity of patent claims under the same claim construction standard as applied in district courts.

In enacting the AIA, Congress created several first-of-kind adjudicatory – not examinational – post-grant trial proceedings for issued patents. Its clearly-expressed intent was to replace *inter partes* reexamination proceedings (created in 1999) with adjudicatory patent validity trials designed to provide speedy decisions and reduce the cost to litigants. As stated in the legislative history, "The Act converts inter partes reexamination from an examinational to an adjudicative proceeding, and renames the proceeding 'inter partes review.' "[10] An adjudicative

[10] H.R. Rep. No. 112-98, pt. 1, at 46 (2011), 2011 U.S.C.C.A.N. 67, 77.

proceeding is designed to review patent claims that are issued and fixed, not to continue the examinational phase, in which the BRI standard had been applied and multiple opportunities for claim amendments had been provided. Although the AIA provides an opportunity to amend claims during a post-grant trial, the regulation governing it is narrowly drafted and applied.[11]

Notwithstanding Congressional intent, the Office elected to adopt the BRI standard for AIA trials before the PTAB. That standard functions well for patent examination, but it is inappropriate for adjudicatory proceedings before the PTAB. The consequence is that issued claims can be given a different and broader interpretation in AIA trials than they are given in district court infringement proceedings, leading to inconsistent results and uncertainty about the scope and value of patents.

Congress enacted the AIA to clarify and strengthen patent rights and to improve the patent system, not to produce inconsistency and uncertainty. Not only does the legislative history make that abundantly clear, but common sense does as well.

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[11] Under 35 U.S.C. §§ 316(d)(1)(A) and 316(d)(1)(B), the patent owner may file *one motion to amend* the patent to cancel any challenged claim or to propose "a reasonable number of substitute claims" for each challenged claim. Section 316(d)(3) prohibits amendments that enlarge the scope of the claims or introduce new matter.

c. Using the BRI standard in AIA trials conflicts with Congressional intent.

The post-grant trials under the AIA produced fundamentally new opportunities for administrative review of issued patent claims. Congress created the new procedures in response to dissatisfaction with existing procedures for Office review of issued patents in reissue proceedings (35 U.S.C. § 251), *ex parte* reexamination (35 U.S.C. §§ 302-305), and *inter partes* reexamination (35 U.S.C. §§ 311-314).

The AIA significantly changed the opportunities for administrative review of patentability available under those proceedings. The key parts of the legislative history are clear that Congress intended to make a clean break from the examinational model of *inter partes* reexamination and to replace it with an adjudication model, which is entirely new to the Office.

In her opinion dissenting from the denial of *en banc* review in this case, Chief Judge Prost recognized that intent:

> Even the panel majority acknowledges the adjudicative nature and the limited amendment process of IPRs. Revised Panel Op. at 14–16 [793 F.3d 1268, 1277-1278]. Yet it brushes these distinctions aside without substantive analysis. With respect to adjudication, the panel majority's sole response is to claim that the adjudication/examination distinction is irrelevant, and to point to the interference proceeding as one which is "in some sense adjudicatory" and uses "a variant of the broadest reasonable interpretation

> standard." *Id.* at 16. This argument fails to address Congress's clear intent to equate the particular IPR proceedings at issue here with those occurring in district court.

See In re Cuozzo Speed Tech., LLC, 793 F.3d 1297, 1302 (Fed. Cir. 2015)(Prost CJ, dissenting from denial of rehearing en banc).

In an attempt to discount the significance of the adjudicative nature of the new proceedings, the Federal Circuit suggested that the Office has long applied the BRI standard in patent interference proceedings which are "in some sense adjudicatory."[12] That comment reflects a misunderstanding of the pre-AIA interference statute (35 U.S.C. § 135(a)), which includes a limitation that distinguishes interference proceedings from post-grant trials: unlike AIA post-grant trials, an interference proceeding must involve *at least one patent application*, *i.e.*, an application that has not yet issued as a patent and that contains claims that may be subject to amendment.[13]

Thus, while the Federal Circuit has attempted to rationalize the use of the BRI standard in AIA trials by linking them to past practice at the Office, that supposed link cannot justify using a standard meant

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[12] *In re Cuozzo Speed Techs.*, 793 F. 3d at 1278.

[13] Section 135, as amended by the AIA, concerns derivation proceedings, but the former section 135 authorizing the Director to conduct interference proceedings remains in effect for patent claims with an effective filing date, as defined in 35 U.S.C. § 100(i), that is prior to the AIA effective date. *See* Section 3(n)(2)(A)-(B).

for examinational proceedings in adjudicatory trial proceedings.

As explained by Chief Judge Prost, the legislative history makes it crystal clear that AIA post-grant trials were meant to be adjudicative proceedings:

> Here, Congress was not legislating within an already existing regime. To the contrary, Congress created IPRs as a "new post-grant review procedure" that would provide "a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs." H.R. Rep. No. 112–98, pt. 1, at 40, 45 (2011). Originally, Congress established the reexamination process to effect this goal, but in light of the limitations, timing, and costs of these proceedings, Congress decided to start anew and establish new post-grant review procedures, including IPR, in the AIA. *See id.* at 45–46 (noting the problems with the reexamination process and Congress's attempts to remedy these issues with amendments before the enactment of the AIA). And it did so by "convert[ing] *inter partes* reexamination from an examinational to an adjudicative proceeding." *Id.* at 46; *see also id.* at 68 (stating that the AIA would "[e]stablish a new procedure, known as post-grant review," noting that this procedure "would take place in a court-like proceeding").

Id. at 1300.

As is apparent from the legislative history, the reexamination procedure from its beginnings in 1980 has been intended, as its name implies, as a re-do of

the initial examination. Specifically stated was that reexamination "will permit any party to petition the patent office to review the efficacy of a patent, following its issuance, on the basis of new information about pre-existing technology which may have *escaped review at the time of the initial examination* of the application." H.R. Rep. No. 66-1307, 96th Cong., 2d Sess. (1980), 3-4, reprinted in 1980 U.S. Code Cong. & Ad. News 6460, 6462 (emphasis added).[14] Post-grant trials, on the other hand, are *replacements for – not a continuation of – inter partes* reexamination.

Congress stated that AIA trials are not repetitions of the initial examination. Instead, as noted, they are *adjudications* of issued patents, not *examinations* of patent applications:

> The Act converts *inter partes* reexamination from an examinational to an adjudicative proceeding, and renames the proceeding '*inter partes* review.'

H.R. Rep. No. 112-98, pt. 1, at 46 (2011), 2011 U.S.C.C.A.N. 67, 77 The Office has acknowledged that principle in its rules of practice implementing

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[14] *See also In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) ("In a very real sense, the intent underlying reexamination is to 'start over' in the PTO with respect to the limited examination areas involved, and *re* examine the claims, and *to examine* new or amended claims, as they would have been considered if they had been originally examined in light of all of the prior art of record in the reexamination proceeding.") (Emphasis in original.)

the AIA provisions governing post-grant trials before the PTAB.[15]

d. An illusory opportunity to amend does not justify applying BRI.

A principal justification offered by the Office and by the Federal Circuit for adopting the BRI standard in 37 C.F.R. § 42.100(b) is that the patent owner in an AIA trial has an opportunity to amend its patent.

The opportunity to amend, however, is restricted by the statute and further restricted in its application by the Office. Specifically, 35 U.S.C. § 316(a)(9) directs the Office to issue regulations allowing the patent owner to "*move to amend* the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims." Subsection (d) is itself limited, permitting the patent owner to file *only one motion to amend* the patent to cancel any challenged claim or to propose "a reasonable number of substitute claims" for each chal-

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[15] "The Office is engaged in a transparent process to create a timely, cost-effective alternative to litigation. This final rule provides a consolidated set of rules relating to Board trial practice for *inter partes* review, post-grant review, derivation proceedings, and the transitional program for covered business method patents The definition of trial provides that a *trial* is a contested case instituted by the Board based upon a petition." *Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions*, 77 Fed. Reg. 48612, 48615, 48616 (August 14, 2012) (emphasis added); *see also Abbott Labs. v. Cordis Corp.*, 710 F. 3d 1318, 1326-1327 (Fed. Cir. 2013)(An *inter partes* reexamination proceeding is not a "contested case" because there is no ability to take depositions.).

lenged claim.[16] Not only is a patent owner's opportunity to amend conditional, but in the more than two years of experience with post-grant trials, motions to amend have been granted so infrequently as to make the opportunity to amend essentially illusory.[17]

Thus, the right of the patent owner to actually amend its claims in AIA trials is severely constrained as compared to the right to amend in examinational proceedings. Section 316 simply calls for regulations that permit the patent owner to *file a motion to amend*. However, nothing in the statute or regulations guarantees that such a motion will be granted, and the likelihood that it will be granted depends on the patentee's showing of patentability, notwithstanding the petitioner's burden to show unpatentability. *See, e.g., Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1303-1304 (Fed. Cir. 2015)(patent owner's motion to amend must demonstrate the patentability of the proposed amended

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[16] Section 316(d)(1) addresses claim amendments in *inter partes* review, and identical limitations on amending claims are provided at 35 U.S.C. § 326(d)(1) for post-grant review.

[17] The few reported Final Written Decisions authorizing motions to amend include *Int'l Flavors & Fragrances Inc. v. U.S. Department of Agriculture*, 2014 WL 2120542, at *1 (PTAB May 20, 2014); *REG Synthetic Fuels, LLC v. Neste Oil Oyj*, 2015 WL 3609359, at *2 (PTAB June 5, 2015); *Riverbed Tech., Inc. v. Silver Peak Systems, Inc.*, 2014 WL 7405745, at *1 (PTAB Dec. 30, 2014) and 2014 WL 7405746, at *1 (PTAB Dec. 30, 2014); and *Chicago Mercantile Exch., Inc. v. Fifth Market, Inc.*, 2014 WL 7273560, at *2 (PTAB Dec. 17, 2014).

claim); *Prolitec, Inc. v. Scentair Techs., Inc.*, 807 F.3d 1353, 1363 (Fed. Cir. 2015)(motion to amend was properly denied where patentee failed to show that the proposed amended claim was patentable).

Even if a patent owner's motion is granted, that success is no substitute for the amendment opportunities provided by the free and iterative exchanges in original examinations, *ex parte* reexaminations, or reissue examinations in which the BRI standard is appropriately applied.

Here again, a fundamental premise of the Federal Circuit's position finds no support in the language of the AIA or in its application by the Office. For this additional reason, the AIA provides no basis for the adoption of a claim interpretation standard other than that uniformly applied by district courts under *Phillips/Markman*.

II. Disregarding the distinction between examinational and adjudicative procedures distorts patent law and produces uncertainty.

The Federal Circuit's approval of the Office application of the BRI standard to both examinational and adjudicative proceedings has led to a disregard of the distinction between claim construction standards, and it has produced a variety of serious and anomalous results that are harmful to the patent system. High on the list is the Office conclusion that the statutory presumption of validity under 35 U.S.C. § 282 for issued patents does not apply in AIA

trials. That misguided conclusion cannot be justified by analogizing AIA trials to reexamination proceedings, in which the Office applies the BRI standard but does not apply the presumption of validity.[18]

Moreover, there is long-standing precedent establishing the principle that patent claims must be interpreted in the same manner for determining both validity and infringement. In these circumstances, patent owners and reviewing courts alike are now left to struggle with the resulting conflicts and inconsistencies.

a. Issued patents litigated in AIA trials are entitled to the statutory presumption of validity under 35 U.S.C. § 282.

United States patents enjoy an unqualified presumption of validity under the Patent Act:

> (a) IN GENERAL.—A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

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[18] Brief of the United States in opposition to the petition for writ of certiorari in *Cuozzo Speed Technologies, LLC v. Lee*, U.S., No. 15-446, pp 10-11.

35 U.S.C. § 282(a). The statute contains no carve-out for patents involved in AIA post-grant trials. Moreover, nothing in the legislative history of the AIA or in the technical amendments to section 282(a) eliminated or abridged the presumption of validity applicable to issued patents.[19] Further, the legislative history gives little basis for the oft-mentioned distinction between "validity" and "patentability," with the House Report noting that: "Petitioners bear the burden of proving that a patent is *invalid by a preponderance of the evidence* in inter partes review."[20]

Further, this Court has long recognized the judicial practice of construing patent claims, if possible, to preserve their validity.[21] Likewise, the Federal Circuit has repeatedly recognized that patent claims should be construed to preserve their validity.[22]

Although the statutory presumption of validity should – absent contrary direction from Congress – apply equally to patents that are subject to AIA post-

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[19] Section 20(g) of the AIA, entitled "Technical Amendments," in relevant part, merely added to section 282 a letter and topical label to the paragraphs of the statute to create "(a)—In General." In addition, a sentence in that first paragraph concerning nonobviousness under section 103(b)(1) was also deleted. *See* Section 20(g) of AIA, entitled "Technical Amendments."

[20] H.R. Rep. No. 112-98, pt. 1, at 47 (2011).

[21] *See Klein v. Russell*, 86 U.S. (19 Wall.) 433, 466 (1874); *Turrill v. Michigan*, S. & N.I.R.R., 68 U.S. (1 Wall.) 491, 510 (1864).

[22] *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 911 (Fed. Cir. 2004).

grant trials, the Office does not apply the statutory presumption. *See Google, Inc. v. Whitserve LLC*, 2014 WL 4537504, at *12 (PTAB Sept. 9, 2014). Instead, the Office expressly relies on the application of the BRI standard to justify its conclusion that the presumption does not apply to patents involved in post-grant trials:

> Under the district court standard, however, considerations such as preservation of validity or the notice function of claims may lead to the adoption of the narrower of two equally plausible constructions. *See Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 911 (Fed. Cir. 2004); *Athletic Alternatives, Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1581 (Fed. Cir. 1996). Our claim construction standard, however, does not take factors such as the preservation of validity into account.

Id. at 21-22.

As it did in opposing the grant of the petition for writ of certiorari, the United States again relies on the purported ability to amend claims in AIA trials to justify an inference that Congress exempted AIA trials from the presumption of section 282(a). The United States also draws this unwarranted inference from the application of a "preponderance of the evidence" standard for determinations of unpatentability in AIA trials, and from Federal Circuit determinations that the presumption of validity does not apply in reexaminations.[23]

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[23] Brief of the United States in opposition to the petition for writ of certiorari in *Cuozzo Speed Technologies, LLC v. Lee*, U.S., No. 15-446, p. 11, n. 2; *In re Etter*, 756 F.2d 852, 857-58

However, these arguments demonstrate that the Office is improperly transplanting examinational procedures, together with their related features, into proceedings that Congress deliberately intended to be adjudicative. AIA trials are not reexaminations. Reexaminations are examinational. According to the legislative history, "In a very real sense, the intent underlying reexamination is to 'start over.' "[24]

As adjudications of issued patents, AIA trials should – unless Congress says otherwise – be governed by the long-standing rule of construing patent claims, if possible, to preserve their validity. The *Phillips/Markman* standard effectuates that rule; the BRI standard does not. Nor would use of the *Phillips/Markman* standard impose a burden on the Office since it already applies that standard in construing claims of expired patents which cannot be amended.[25]

For all these reasons, the Office has neither a valid rationale nor the authority to disregard the statutory presumption of validity for patents in post-grant trials.

(Fed. Cir. 1985). *See also Dome Patent LP v. Lee*, 799 F. 3d 1372, 1379 (Fed. Cir. 2015).

[24] H.R.Rep. No. 66-1307, at 3-4 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6462.

[25] *In re Rambus*, 753 F.3d at 1256 ("If, as is the case here, a reexamination involves claims of an expired patent, a patentee is unable to make claim amendments and the PTO applies the claim construction principles outlined by this court in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir.2005)." (citations omitted)).

b. Using BRI is contrary to long-standing precedent that patent claims must have the same construction for determining validity and infringement.

The Federal Circuit should not have approved the use of the BRI standard for interpreting claims in post-grant trials for the further reason that doing so violated this Court's long-established rule that a patent must be construed in the same way for validity and infringement determinations. *See Gosling v. Roberts*, 106 U.S. 39, 47 (1882); *Knapp v. Morss*, 150 U.S. 221, 228 (1893); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917).

That same rule has been termed "axiomatic" by the Federal Circuit. *See Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1449 (Fed. Cir. 1984); *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1279 (Fed. Cir. 1988).

Yet, under current Office practice, an accused infringer who chooses the Office as a forum for challenging the patent in a post-grant trial will be advantaged by the application of BRI in determining whether the claims are invalid (or unpatentable). However, that accused infringer will not be so advantaged if it chooses the district court, which will apply the *Philips/Markman* standard in determining both validity and infringement. In other words, the same claims will be construed more narrowly for infringement and validity purposes in district court, but more broadly for trial proceedings before the PTAB.

Consequently, not only does the application of BRI create the practical problem of inconsistency, the inconsistency itself is contrary to long-standing precedent.

c. Applying different standards results in conflicts and inconsistency.

Past experience with the application of conflicting standards in Office proceedings and district court proceedings shows the disarray that can result. In *Fresenius USA, Inc. v. Baxter International, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013), the Federal Circuit considered a patent that it had considered twice before in litigation between the same parties. The first occasion was on appeal from a district court judgment concluding that the challenger had not proved invalidity of the challenged claims. The second was on appeal from an Office reexamination decision that those same claims were unpatentable. In both instances, the Federal Circuit affirmed.[26]

In the third appeal, again related to the infringement suit, the Federal Circuit recognized that the claim construction standards applicable in the prior two cases were different, stating "because the two proceedings necessarily applied different burdens of proof and relied on different records, the PTO did not err in failing to provide the detailed explanation now sought by Baxter as to why the PTO came to a different determination than the court system in

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[26] *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1304 (Fed. Cir. 2009), and *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1366 (Fed. Cir. 2012).

the *Fresenius* litigation."[27] In that third appeal, the Federal Circuit relied on its previous decision in the reexamination appeal to conclude that the patent was invalid.[28] That final decision, squarely acknowledging the role of different standards in the outcome, came only after more than ten years of wasteful litigation and expense.

Given the extraordinary popularity of *inter partes* review proceedings, conflicting decisions and inconsistency are even more likely when both the BRI standard is applied in AIA trials and the *Philips/Markman* standard is applied in district court as to the same claims at the same time. In the simplest example, a district court defendant may now challenge an asserted patent in an AIA post-grant trial before the Office. At the same time, a district court may consider the validity and infringement of the same patent, simultaneously construing disputed terms of the claims. Nothing in the AIA, however, obligates the district court to stay its case pending the resolution of the post-grant trial.[29] Thus, different tribunals may simultaneously apply different claim construction standards to the same patent and reach different results.

The harm of applying differing standards of claim interpretation is not mitigated by a recent Federal Circuit decision instructing the Office to ad-

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[27] *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1365 (Fed. Cir. 2012).

[28] *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).

[29] AIA § 18(b)(1), Pub. L. No. 112-29, 125 Stat. 284, 331 (2011); *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1309 (Fed. Cir. 2014).

dress a previous district court claim interpretation.[30] Even if the Office considers the district court's interpretation, there is no reason to expect such consideration to have any impact, because the district court interpretation is not binding on the Office, it may not be in evidence, and the PTAB's expedited schedule may preclude any opportunity to consider it.[31]

Thus, the AIA permits both the Office and district courts to independently decide whether the claims of the same patent should stand. As pointed out earlier, the Office might apply BRI to decide that a challenged patent claim is unpatentable over the prior art, while a district court might decide that the same claim has not been proved invalid over that same prior art under the more narrow *Phillips/Markman* interpretation.

Even the Federal Circuit itself has now acknowledged that the claim construction standard may drive the result:

> This case hinges on the claim construction standard applied—a scenario likely to arise with frequency. And in this case, the claim construction standard is outcome determinative.

PPC Broadband, Inc. v. Corning Optical Comm. RF, LLC, No. 2015-1364, slip op. at 9 (Fed. Cir. Feb. 22, 2016)

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[30] *See Power Integrations, Inc. v Lee*, 797 F.3d 1318, 1326 (Fed. Cir. 2015).

[31] *See Arctic Cat, Inc. v. Polaris Industries*, IPR2014-01427 – 01428, Paper 56 (PTAB January 4, 2016)).

Handed down on that same day was the opinion in the companion case in which the Federal Circuit further recognized that "it is possible to have two different forums construing the same term in the same patent in a dispute involving the same parties but using different standards." *PPC Broadband, Inc. v. Corning Optical Comm. RF, LLC*, 2016 WL 692369 at *5 (Fed. Cir. Feb. 22, 2016).

Recent Federal Circuit decisions have introduced additional uncertainty by blurring the distinction between claim construction standards for examinations and for adjudications.[32] As noted, the BRI standard is particularly suited for examinational proceedings, in which the back-and-forth transactions between the applicant and the examiner clarify the metes and bounds of the claimed invention using broad interpretations and liberal amendment opportunities. District courts, by contrast, use the *Phillips/Markman* standard to interpret claims of issued patents whose language is fixed and is not subject to amendment. The Federal Circuit's tendency to transform these two well-established claim construction standards into a single standard will dissolve distinctions that are basic to the respective functions of examinational and adjudicative proceedings.

These developments have complicated the task of claim construction and made the processes of ob-

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[32] *Trivascular, Inc. v. Samuels*, No. 2015-1631, slip op. at 6 (Fed. Cir. Feb. 5, 2016) (under BRI, words of the claim are given their plain meaning, consistent with the specification and prosecution history); *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d at 1298 (the Office should consult the patent's prosecution history in proceedings where the patent has been brought back to the agency for a second review.).

taining, enforcing, and defending patents more uncertain. These differing standards also may impact the incentive to innovate and seek patent protection in the first instance. In order to avoid, or at least minimize, the harm and confusion of such inconsistency, AIPLA submits that this Court should vacate the Federal Circuit's decision and remand the case with instructions to direct the Office to apply the same claim construction standard in post-grant trials as is applied by district courts under *Phillips/Markman*.

III. Section 314 does not limit the scope of appellate review of final written decisions in AIA trials.

The Federal Circuit incorrectly held that 35 U.S.C. § 314(d) not only bars appeals of PTAB determinations of whether to institute AIA post-grant trials, but also precludes review of issues addressed in a final written decision that were also addressed in the decision to institute such trials.

In an appeal of right from a final written decision under sections 318 and 319 of Title 35, the Federal Circuit in this case overlooked express language in section 314(d) that limits its scope.[33] Moreover, section 314(d) must be read in light of the presumption that judicial review is available for all final actions of the executive branch.

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[33] Sections 314(d), 318 and 319, which apply to *inter partes* review, have virtually identical counterparts in Sections 324(e), 328 and 329 for post grant review.

a. Limits on the ban of judicial review are expressed in the statute.

The Federal Circuit mischaracterized its conclusion about section 314(d) as simply a refusal to permit a postponed appeal of the decision to institute. In fact, its interpretation of the statute permits the PTAB to insulate substantive issues from judicial review by simply characterizing them as determinations as to whether to institute AIA trials. That characterization, however, disregards the overlap of such issues at the institution and final written decision stages. The impact is to undermine statutorily-mandated judicial oversight of final actions of the executive branch.

The AIA created three new administrative proceedings for reviewing the patentability of claims in issued patents: (1) *inter partes* review (IPR) (35 U.S.C. § 311 et seq.), (2) post-grant review (PGR) (35 U.S.C. § 321 et seq.), and (3) a special form of post-grant review applicable only to covered business method patents (CBM) (uncodified section 18 of the AIA, 125 Stat. at 329–31). Each cited section uses virtually identical language to establish a threshold preliminary showing that an AIA trial is warranted.

The PTAB is not empowered to institute an IPR trial under section 314(a) unless there is "a reasonable likelihood that the petitioner will prevail" on at least one of the challenged claims, nor is it empowered to institute a PGR trial under section 324(a), unless it is "more likely than not" that at least one of the challenged claims is unpatentable. Both sections 314(d) and 324(e) bar appellate review of the "de-

termination ... under this section" on the "reasonable likelihood" or "more likely than not" questions.[34]

The Federal Circuit's interpretation of the statute disregards express language in both sections 314(d) and 324(e) that limits the ban on judicial review to "determinations ... under this section;" namely, the determinations made for the specific purpose of deciding whether or not to institute an AIA trial, *i.e.*, preliminary determinations.

The Federal Circuit has erroneously concluded that "section 314(d) prohibits review of the decision to institute IPR even after a final decision."[35] The court promoted further confusion by suggesting that this case simply involves an attempt to circumvent the ban in section 314(d) by delaying the appeal of the institution decision until after the PTAB's final written decision. The issue, however, is not whether this case is a prohibited appeal of a section 314 preliminary institution determination, but whether it is a permissible appeal under section 319 of a final written decision issued by PTAB under section 318(a).

In addressing an analogous issue with respect to decisions to institute a CBM proceeding, the court stated in *Versata Development Group, Inc. v. SAP America, Inc.*, that "[t]o be clear, it is the merits of the final written decision that are on appeal; we are

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[34] Under section 314(d), "The determination by the Director whether to institute an inter partes review under this section shall be final and non-appealable." Under section 324(e), "The determination by the Director whether to institute a post-grant review under this section shall be final and non-appealable."

[35] 793 F.3d at 1273.

not here called upon to review the determination by the PTAB whether to institute a CBM review." 793 F.3d 1306, 1315 (Fed. Cir. 2015).

As the Federal Circuit did in *Versata*, it is common in administrative proceedings to distinguish between an unreviewable initiation of agency action and a reviewable final agency action.[36] As Judge Plager explained:

> The distinct agency actions do not become the same just because the agency decides certain issues at both stages of the process. Nor do they become the same just because the agency chooses, or even follows a congressional directive, to decide an issue determining final-action authority at the initiation stage and then does not revisit the issue later. Early-stage decision of a basic authority question can make sense as an efficiency matter. There is no good reason to launch a proceeding if it is clear that the agency will have no authority to act at its conclusion. On the other hand, some determinations normally made at the initiation stage may not affect authority to render a final decision whenever made.

793 F.3d at 1319.

An appeal to the Federal Circuit of the PTAB's final written decision is clearly authorized by section

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[36] *See Bennett v. Spear*, 520 U.S. 154, (1997); *Federal Trade Comm'n v. Standard Oil Co. of Cal.*, 449 U.S. 232 (1980); *Southern. Ry. Co. v. Seaboard Allied Milling Corp.*, 442 U.S. 444 (1979); *Automated Merch. Sys., Inc. v. Lee*, 782 F.3d 1376 (Fed. Cir. 2015); 16 Charles Alan Wright & Arthur R. Miller, Federal Practice & Procedure § 3942; 32 Charles Alan Wright & Arthur R. Miller, Federal Practice & Procedure § 8220.

319 for IPR proceedings (and by section 329 for PGR proceedings). The only issue here is whether the appellate court, in reviewing the PTAB's final written decision, has jurisdiction to address the PTAB's statutory authority to decide unpatentability when those same issues were addressed in the section 314 institution decision.

The answer is yes, at a minimum, because of the general rule that "interlocutory orders from which no appeal lies are merged into the final judgment and open to review on appeal from that judgment." *Monarch Asphalt Sales Co., v. Wilshire Oil Co. of Texas*, 511 F.2d 1073, 1077 (10th Cir.1975).[37] An appeal of a final written decision under section 319 necessarily includes review of matters presented in the section 314 preliminary determination to institute. As such, it allows judicial evaluation of the PTAB's authority to issue the section 318 final written decision itself.

b. Issues considered in a decision to institute may also be considered on appeal of a final written decision when relevant to the statutory authority of the PTAB.

Under section 319, a party "dissatisfied" with the PTAB's final written decision may appeal that decision to the Federal Circuit. The statute places no limits on the range of issues that may be raised by a

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[37] Because a section 314 determination refusing to institute an AIA trial produces no final written decision, the issues raised in that context would not be reviewable under section 319. However, they could be reviewable on a petition for mandamus where the strict requirements for a mandamus proceeding are met.

"dissatisfied" party, including the issue of the legal authority of the PTAB to decide, in a section 318 final written decision, "the patentability of any patent claim challenged ...." 35 U.S.C. § 318(a).

When the PTAB determines patentability in its final written decision pursuant to section 318, its authority to do so must necessarily be reviewable in the context of whether under section 314 a petitioner had established as a preliminary matter whether "there is a reasonably likelihood" it would prevail. Though a direct appeal of the PTAB's "reasonable likelihood" determination is expressly barred by section 314(d), the PTAB's final written decision concerning patentability is unquestionably subject to judicial review in a section 319 appeal, notwithstanding section 314. Indeed, *Versata* concluded that the ban on appeals in section 324(e) (corresponding to section 314(d)) does not bar "judicial review, when conducted with regard to the final written decision, of PTAB compliance with any requirement that involves the ultimate authority of the PTAB to invalidate a patent." 793 F.3d at 1319.

The threshold requirement at issue in *Versata* (and necessarily considered in the PTAB decision to institute) was that the subject matter of the patent claim be a covered business method. The Federal Circuit characterized that requirement as one that "defines the PTAB's authority to invalidate." The court added that there could be no petition that could bring a non-CBM patent within the PTAB's authority. While the *Versata* opinion identified this condition as an issue defining the PTAB's authority to "invalidate," it did not identify others or provide a standard for defining that authority.

> [W]e need not and do not consider all of the various determinations the PTAB may make to initiate proceedings and which may constitute limits on ultimate invalidation authority, reviewable on appeal from a final written decision invalidating a patent. It is enough for us to determine here that the defining characteristic of a patent as a CBM patent, subjecting it to a special PTAB power to invalidate, is such a limit.

793 F.3d at 1320-1321.

Similarly, AIPLA has not compiled a catalog of all the various determinations which may affect the exercise of the PTAB's authority to adjudicate the patentability of challenged claims, although examples might include the timeliness of a petition under section 311(c), or estoppel under section 315(e), or even the qualification of certain information as prior art.[38] Nor is AIPLA suggesting that this Court needs to perform that task. Rather, AIPLA urges this Court to apply to section 314(d) the *Versata* analysis addressing section 324(e), thereby permitting review of issues that underlie the PTAB's authority to determine patentability, even if those issues were also considered in the section 314 decision to institute an AIA trial.

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[38] *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F. 3d 652, 658 (Fed. Cir. 2015)(Section 314(d) bars appeal of Board decision to initiate *inter partes* review where review is allegedly time-barred under 35 U.S.C. § 315(b), even if that issue reconsidered during the merits phase of proceedings and restated as part of the Board's final written decision.) An Achates petition for a writ of certiorari was dismissed February 9, 2016 under Supreme Court Rule 46 for settling parties. U.S. Docket No. 15-842.

A decision by this Court affirming the Federal Circuit's extension of the ban on judicial reviewability of preliminary institution decisions under section 314 to final written decisions under section 319 could result in completely insulating errors by the PTAB from judicial review. AIPLA is not specifically commenting on the particular issue concerning the authority of the PTAB to determine patentability of claims under section 318 under the facts of this case. Rather, AIPLA is concerned that the Federal Circuit's reasoning below draws a hard line precluding its review of any issue related to the Director's decision to institute an AIA trial, even though such issues also affect the PTAB's final decision and its authority to determine patentability of patent claims.

c. Section 314(d) does not eliminate the traditional presumption that actions of the executive branch are subject to judicial review.

The Federal Circuit has in this case interpreted section 314(d) in a way that conflicts with the traditional presumption that the judiciary is responsible for reviewing the legality of executive branch actions.

Indeed, its interpretation is inconsistent with the Administrative Procedure Act ("APA") which provides that judicial review is available for all "final agency action for which there is no other adequate remedy in a court." 5 U.S.C. § 704. Under the APA, judicial review is available in all cases except those in which it is precluded by statute or where the action in dispute is committed to agency discretion. 5 U.S.C. § 701(a).

Sections 314(d) and 324(e) expressly bar appeals of the preliminary determinations under sections 314 and 324 that govern whether an AIA trial will be instituted. However, final written decisions resulting from such instituted trials, issued under sections 318 or 328, are expressly reviewable on appeal to the Federal Circuit under sections 319 and 329.

As *Versata* suggests for section 324(e), section 314(d) likewise should not be interpreted as barring review of whether the PTAB exceeded the statutory limits on its authority to determine the patentability of challenged claims. Such an interpretation conflicts not only with the language of the statute, but also with the long tradition of judicial review of government actions that alter the legal rights of an affected person. Judge Plager in *Versata* correctly observed:

> It has long been the law that "[a]dministrative determinations must have a basis in law and must be within the granted authority.... An agency may not finally decide the limits of its statutory power. That is a judicial function." *Social Sec. Bd. v. Nierotko*, 327 U.S. 358, 369 (1946). The Supreme Court has repeatedly emphasized "the strong presumption that Congress intends judicial review of administrative action," and that "[f]rom the beginning 'our cases [have established] that judicial review of a final agency action by an aggrieved person will not be cut off unless there is persuasive reason to believe that such was the purpose of Congress.'" *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986) (quoting *Abbott Labs. v. Gardner*, 387 U.S. 136, 140 (1967).

793 F.3d at 1320.

The legislative history of the AIA contains no indication that Congress intended to depart from this tradition of judicial oversight. Even if there were doubt as to congressional intent, the general presumption favoring judicial review of rights-changing administrative action is controlling. *Block v. Community Nutrition Inst.*, 467 U.S. 340, 351 (1984). This is a strong presumption which an agency can overcome only by clear and convincing evidence. *See Mach Mining, LLC v. E.E.O.C.*, 135 S. Ct. 1645, 1651 (2015).

Nothing in either of sections 314(d) or 324(e) meets the high *Block* standard for precluding review of whether the PTAB has exceeded its statutory authority. These sections preclude appellate review only of preliminary determinations as to whether a petition meets the appropriate statutory threshold, as the Federal Circuit itself has ruled in decisions such as *St. Jude Medical, Cardiology Division v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014).

The Federal Circuit also consistently held that it lacks jurisdiction to review a decision whether or not to institute a petition for *inter partes* review under a writ of mandamus. *In re Proctor & Gamble Co.*, 749 F.3d 1376 (Fed. Cir. 2014) (denying petition for writ of mandamus from a decision to institute); *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379 (Fed. Cir. 2014) (denying petition for writ of mandamus from a decision not to institute).

Further, as noted above in footnote 36 and in the Federal Circuit's opinion in the present case, mandamus has been identified as a possible form of relief

in certain instances. *In re Cuozzo*, 793 F.3d at 1274-1275. However, to date, the Federal Circuit has refused to grant such relief. *See In re MCM Portfolio, LLC*, 554 F. App'x 944 (Fed. Cir. 2014) (nonprecedential decision, refusing mandamus review of allegedly time-barred petition to institute directly from PTAB decision to institute); *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 2015-1091 (Fed. Cir. Dec. 2, 2015) (refusing mandamus review of allegedly time-barred petition to institute in appeal of final written decision); *GTNX, Inc. v. INTTRA, Inc.*, 789 F.3d 1309, 1312-1313 (Fed. Cir. 2015)(refusing mandamus review of allegedly improper denial of petition to institute for failure to show "clear and indisputable right to relief"); *Sightsound Techs., LLC v. Apple Inc.*, No. 2015-1159, slip op. (Fed. Cir. Dec. 15, 2015)(refusing mandamus review of institution decisions made on grounds allegedly not raised in the petition because "clear and indisputable right to relief" was not shown).[39]

Without questioning the correctness of these decisions, AIPLA notes that the Federal Circuit decision in this case interpreting section 314 is another impediment for dissatisfied parties to obtain any form of judicial review of agency action.

This case presents the opportunity to restore balanced oversight of executive branch action by the

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[39] In a recent decision, the Federal Circuit held it lacked jurisdiction to review a Board refusal to institute an IPR on certain grounds it deemed redundant of other grounds for which IPR was granted. *Harmonic, Inc. v. Avid Technology, Inc.*, No. 2015-1072 (Fed. Cir., Mar. 1, 2016)

judiciary, and AIPLA strongly encourages this Court to do so.

CONCLUSION

In enacting the AIA, Congress significantly changed the opportunities for administrative review of patentability by providing less expensive and quicker alternatives to district court relief in patent disputes. However, the benefits of these new procedures have not been realized in the implementation of the AIA by the Office.

The use of the BRI standard of claim construction in the new procedures for adjudicating patent validity is improper. It is also improper to deny judicial review of issues in the final written decision on the authority to invalidate issued patents simply because they were also addressed in the decision to institute.

These are matters that require intervention and correction by this Court if the promise the AIA is to be fulfilled.

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